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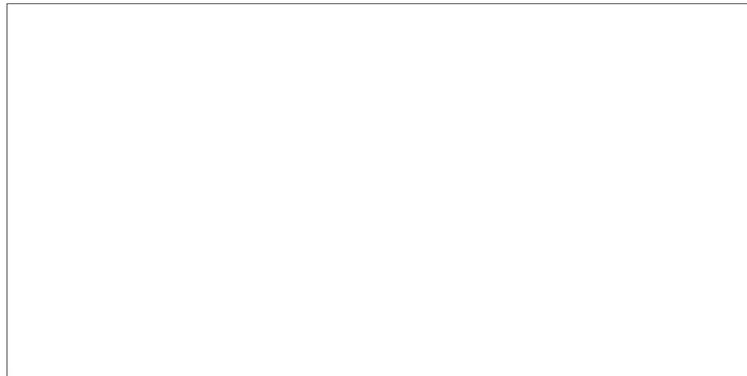
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1. HAMMARSKJOLD REJECTS BRITISH ULTIMATUM

UN secretary general Hammarskjold has rejected Britain's condition for the use of its six salvage vessels in Suez Canal clearance operations because of the risks involved in keeping 162 British crew members in the canal area. London had maintained that the UN could use the six salvage vessels actually attached to wrecks they are lifting only if their British crews remained. Hammarskjold told the chief British UN delegate in a letter on 17 December that, if the British condition is maintained, he would consider it in the general interest to work without the six vessels and take the "ensuing minor loss of time."

Hammarskjold said he expected the British government would follow through with its remaining limited clearing operations at Port Said, as he had proposed earlier. The 25-vessel British salvage fleet was to complete clearing the main channel at Port Said, after which the British salvage force would be phased out and replaced by a UN fleet.

Lt. General Wheeler, chief of UN salvage operations, told the American embassy in Cairo on 15 December that the question is not the extent to which use of British equipment would expedite clearance but the extent to which such equipment can in fact be used. He has maintained that the UN salvage fleet can clear the canal without British or French equipment.

As of 16 December a main channel, 25 feet deep and 240 feet wide at its narrowest point, had been cleared by the British at Port Said.

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2. EGYPT SUSPENDS SABOTAGE OUTSIDE ISRAEL

[REDACTED]

Egypt has directed that commando operations inside Israel continue, but that sabotage and destruction in the Arab countries be terminated, [REDACTED]

[REDACTED]

Cairo's directive to curtail sabotage in Arab countries may indicate belated awareness that such activity is alarming local authorities.

Egyptian-directed terrorists from Jordan have continued operations inside Israel on a limited scale in recent weeks, with sabotage of rail lines, water and POL installations, and the planting of mines. [REDACTED]

[REDACTED] planned future operations include sabotage in the Haifa area, in Jerusalem, sabotage of oil facilities, and murder of an Israeli intelligence officer. Approximately 800 Egyptian commandos, who escaped across Israel to Jordan during the recent hostilities, are to be based in Syria.

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3. NASR SEEN LOSING GROUND WITH EGYPTIAN PUBLIC

[REDACTED]

The Egyptian public is becoming increasingly cool and uncertain in its attitude toward the Nasr regime as it realizes the extent of the problems which have resulted from nationalization of the Suez Canal, [REDACTED]

[REDACTED] Expressions of opposition from individuals are growing, and there is some indication that small dissident groups are forming, although the public still fears the regime's security forces and tends to avoid any serious risks. The informed public appears to believe that the period immediately after the evacuation of the Anglo-French forces will be critical for the regime.

[REDACTED] in this situation the government apparently has no over-all policy, and Nasr himself has spent the past two weeks in semiseclusion, conducting a policy review. [REDACTED]

Comment

With the withdrawal of the Anglo-French forces, Nasr seems likely to be faced again with the problem of establishing some new policy line which will serve to capture the imagination of the Egyptian public and distract it from Egypt's present problems. Failing an opening in the domestic field, he may seek some spectacular new initiative in foreign affairs or play up an existing one, such as the demand for compensation from Britain, France and Israel. In a recent conversation with Ambassador Hare, Nasr made it clear that he does not expect at this time to enter into serious negotiations with any of his antagonists.

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4. SYRIAN CABINET CHANGE APPEARS IMMINENT

Prime Minister Asali's announcement to the press on 17 December that he would form a "more active and harmonious" government within the next few days suggests that the leftists have been able to overcome the reported opposition of President Quwatli to the formation of a new and broader cabinet.

The leftists' principal weapon has been the parliamentary petition calling for the establishment of a "sound and harmonious" regime to defend Syria's independence, increase its military strength, suppress "imperialist plots," and resist the "divisive" Baghdad pact. According to the press, the petition has been signed by about 70 of the 142 deputies.

Asali has not revealed the names of the members of his proposed new cabinet, [redacted]

[redacted] Former prime minister Khalid al-Azm, the anti-Western leader of the "independent bloc" in the Syrian parliament, will reportedly be foreign minister. Akram Hawrani, leader of the leftist pro-Egyptian Arab Socialist Party, and a sponsor with Azm of the parliamentary petition, may become minister of defense.

[redacted]

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5. EGYPTIAN NEGOTIATIONS WITH CZECHOSLOVAKIA

[REDACTED]

[REDACTED] discussions concerning Czech equipment and specialists for military maintenance depots would take place in Czechoslovakia

next February. This timing suggests that no great urgency is attached to the new arms negotiations between Egypt and the Soviet bloc. Egypt submitted a list of military requirements to the Soviet military attaché in Cairo a month ago, but there has been little information on further negotiations.

Cairo was requested to send two representatives to inspect "mobile workshops" which would be exhibited on 2 January in Prague. These representatives would then return to Egypt with Czech specialists to inspect repair and maintenance facilities for aircraft, tanks, vehicles and artillery. Egypt would not order additional workshops until these inspections had been completed.

Egypt is apparently implementing its plan [REDACTED] to procure Czech personnel for repair and maintenance depots. [REDACTED] Egypt intended to use Czechs as the key personnel in its military training programs.

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6. DALAI LAMA STALLING DEPARTURE FROM INDIA

[REDACTED]

The Dalai Lama asked permission on 13 December to remain in India a few months longer to visit Buddhist shrines and attend to other religious duties, [REDACTED]

[REDACTED]

As of 15 December, the Indian government had not replied to this request, but Nehru has invited the Dalai Lama to his home in January for further talks.

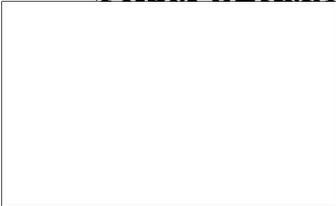
The Chinese Communists are continuing their pressure on the Dalai Lama to accompany Chou En-lai to Nepal. The Dalai Lama's advisers are urging him not to go, for fear that the Nepalese government is too weak to keep the Communists from forcing him back to Tibet. The advisers consider that the Dalai Lama's refusal to make the trip would probably lead to his breaking with the Communists.

[REDACTED]

Comment

[REDACTED] the Dalai Lama planned to seek asylum while in India. Nehru's reaction would be a key factor in the Dalai Lama's final decision. Nehru would not wish to offend Peiping by granting formal asylum, but he could hardly refuse to an extension of stay on religious grounds. He might also attempt to avoid embarrassment by urging the Dalai Lama to seek asylum in some other country.

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CONFIDENTIAL**7. BRITAIN EXPECTED TO ASK MORE SUPPORT COSTS
FROM GERMANY**

The economic minister of the British embassy in Bonn has stated that he expects Britain to ask the Federal Republic to pay the entire deutschemark costs of maintaining British troops in Germany. He told the French embassy that London feels Bonn should pay support costs on the basis of each nation's present needs, rather than by the old percentages established for the occupation.

The British official is instructed to open bilateral negotiations with the Germans on 7 January.

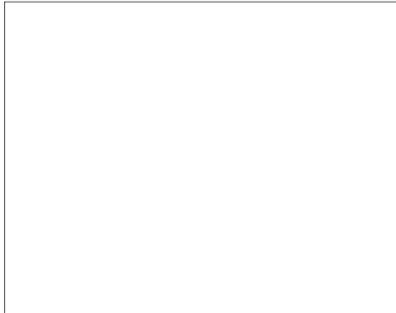
Comment Under the current agreement, Britain is receiving the equivalent of \$94,000,000 from Germany, or 27 percent of all Bonn's payments for Allied forces, toward the local costs of maintaining its four army divisions and one tactical air force there. The total deutschemark costs for the British forces in Germany are estimated at \$180,000,000 for the fiscal year which ends on 31 March.

France, which is receiving \$66,000,000 in support costs, may be expected to claim equally compelling economic reasons for payments on a scale comparable to Britain's.

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8. PRAVDA ANSWERS YUGOSLAV ANALYSIS ON HUNGARY



Despite its general condemnation of Yugoslav vice president Kardelj's views as "revisionist," Pravda on 18 December indicated that the Soviet Union is trying to keep its dispute with Yugoslavia within the bounds of a high-level ideological discussion. The arguments presented are essentially an orthodox restatement of Soviet views. They indicate the Kremlin has no intention of recognizing that the Hungarian crisis was in any part a result of failings in the political system in Hungary; it stemmed, according to Pravda, only from the errors of individual Communist leaders.

The Soviet leaders are probably pleased to be able to direct their fire at Kardelj rather than Tito, who has recently appeared more willing than Kardelj to work with the Soviet leaders. This does not necessarily mean, however, that Moscow is trying to create a split in the top level of the Yugoslav party.

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9. THAI POLICE CHIEF [REDACTED] FEARFUL OF
BEING OUSTED

[REDACTED] Police Director General Phao was warned on 11 December by a high-ranking subordinate that army chief of staff Sarit is plotting to remove him from power,

[REDACTED] Phao reportedly agreed that such an attempt was possible and admitted that he was "very worried" about Sarit. The police chief is alleged to have stated that he would not fight since he would have no chance against the army. [REDACTED]

Comment

Phao and Sarit are long-time rivals in the triumvirate headed by Premier Phibun which rules Thailand. While relations between them had appeared to improve during the past year, there have been some indications of increasing resentfulness on the part of Sarit over what he considered the favoritism with which Phibun treated Phao.

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